



Sean Rogan
Executive Director

**HOUSING AUTHORITY
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Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
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Michael D. Antonovich
Commissioners

October 02, 2012

The Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE HEALTH PLANS
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

This letter recommends approval of the Community Development Commission (Commission) employee health benefits for the 2013 calendar year. Housing Authority approval is required because Housing Authority funds will be used to pay the benefits for Commission employees working in Housing Authority programs.

The Commission and Housing Authority will realize savings and increased benefits by replacing Anthem Blue Cross of California with Health Net for group medical plans, replacing Delta Dental of California with CIGNA for dental plans, and replacing Anthem California with Guardian for life and disability insurance. The Commission will also replace Igoe Administrative Services (Igoe) and Employee Benefit Specialists (EBS) with Discovery Benefits for Flexible Spending Account (FSA), COBRA and retiree medical benefit administration. This letter relates to an item on the agenda of the Board of Commissioners of the Community Development Commission.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve the combined payment, with the Community Development Commission, of the employer-paid medical subsidy for the 2013 calendar year to Health Net and Kaiser, at an estimated cost not to exceed \$500,000.
2. Authorize the Housing Authority to fund all Calendar Year 2013 health plan costs using funds included in the approved Fiscal Year 2012-13 budget and funds to be approved through the annual budget process for Fiscal Year 2013-14, as needed.

ADOPTED

BOARD OF COMMISSIONERS
HOUSING AUTHORITY

1-H October 2, 2012

SACHI A. HAMAI
EXECUTIVE OFFICER

3. Find that approval of the employee health plans for the 2013 calendar year is not subject to the provisions of the California Environmental Quality Act (CEQA) because the activities are not defined as a project under CEQA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended action is to provide Commission employees affordable health care coverage that is comparable with plans offered to County employees for the 2013 calendar year. The current plans end on December 31, 2012. Housing Authority approval is required because Housing Authority funds will be used to pay the benefits for Commission employees working on Housing Authority programs.

FISCAL IMPACT/FINANCING

There is no fiscal impact to County General Fund. The expenses will be fully covered using Commission and Housing Authority funding.

Employees receive an employer contribution to assist with the purchase of medical, dental, vision, and life insurance benefits. Currently, employees covered by the Flexible Benefit Plan receive an employer contribution expressed as a percentage of salary, but not less than a minimum contribution of \$1063 per month. Employees covered by the Optional and Contract Benefit Plans receive \$805 and \$713 per month, respectively. On October 11, 2005, your Board delegated authority to the Executive Director to increase these contributions provided the amounts do not exceed the contributions for County of Los Angeles employees. The County contributions are currently at \$1,078 and \$809 under the MegaFlex and Flexible Benefit Plans, respectively. The minimum contributions for Commission employees will not change for the 2013 calendar year.

In an effort to help employees pay for medical insurance coverage, the Commission will continue to provide an employer-paid medical subsidy. This amount, projected at a cost not to exceed \$500,000, plus the amount contributed by each employee, will fund the premiums for medical insurance for the 2013 calendar year.

The current Fiscal Year 2012-2013 budgets of the Commission and Housing Authority include funds for the proposed health plan changes through June 30, 2013. The annual budget process for Fiscal Year 2013-2014 will include funding for the remainder of the calendar year costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Employees are currently provided with Anthem Blue Cross HMO, Anthem Blue Cross PPO, and Kaiser as employee medical plan options. During the months of July and August, the Commission evaluated these plans and the cost increases for 2013, with the assistance of the Commission's insurance broker, Alliant Insurance Services.

Negotiations with Anthem Blue Cross resulted in a premium increase of approximately 3.3% for the HMO and 14.2% for the PPO. Negotiations with Health Net resulted in a premium decrease of 9.3% for the HMO and a premium increase of 6.7% for the PPO, representing an average savings of 1.3% below the Commission's 2012 costs for the same plan offerings. Therefore, the Commission recommends replacing Anthem Blue Cross with Health Net.

After an initial requested increase of 3.3%, Kaiser ultimately agreed to provide the Commission with a rate pass (no increase) for 2013.

The new monthly employee contribution for each medical plan is provided in Attachment A.

Employees are currently provided with a dental HMO and PPO option under Delta Dental of California. Negotiations with Delta resulted in a premium increase of approximately 3% for the HMO and a decrease of 0.8% for the PPO. Negotiations with CIGNA resulted in a premium decrease of 19.5% for the HMO and a premium decrease of 4.6% for the PPO, representing an overall average savings of 12% below the Commission's 2012 costs. Therefore, the Commission recommends replacing Delta with CIGNA. As an added benefit, Commission employees will have an orthodontia option with both CIGNA plans.

Employees are currently provided with life and disability options under Anthem California. Negotiations with Anthem resulted in a rate pass (no increase) for the current Basic Life, Accidental Death and Dismemberment (AD&D), Short Term Disability (STD) and Long Term Disability (LTD) offerings. Negotiations with Guardian resulted in an average decrease of 27.9% for comparable and improved plan offerings, which include a three year rate guarantee on the basic and LTD plans and a two year rate guarantee on the STD plan. Therefore, the Commission recommends replacing Anthem with Guardian for life and disability insurance.

The Commission currently contracts with Igoe for administration of FSAs, and with EBS for administration of COBRA and retiree medical benefits. Neither of these third parties provides administrative services for all three products, which would offer the Commission improved efficiencies in business processing. The Commission recommends replacing Igoe and EBS with Discovery Benefits for FSA, COBRA, and retiree medical benefit administration.

The County's Chief Executive Office and County Counsel have reviewed this letter. On September 26, 2012, the Housing Commission recommended approval of the proposed plans.

The annual open enrollment period, which allows Commission employees to enroll in their health plans for 2013, will begin following your Board's approval. Commission employees must have at least a two week period to enroll so that the Commission may submit the new enrollment details to the health plan providers during the month of November. Any delays will prevent the Commission from meeting the enrollment deadlines and contractual agreements with the health plan providers which are due to expire on December 31, 2012.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act pursuant to Title 24 of the Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Honorable Board of Supervisors

10/2/2012

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The recommended actions are consistent with the principle of promoting the well-being of Commission employees and their families by offering comprehensive employee benefits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line extending to the right.

SEAN ROGAN

Executive Director

SR:jd

Enclosures

Attachment A
Monthly Employee Contribution for 2013*

Health Net HMO*

Employee Only	\$405.00
Employee + One	\$750.00
Family	\$1050.00

Health Net PPO*

Employee Only	\$750.00
Employee + One	\$1650.00
Family	\$2250.00

Kaiser*

Employee Only	\$456.00
Employee + One	\$854.00
Family	\$1125.00

* Reflective of the employee cost after the subsidy is applied to the actual plan cost.